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U.S. Department of Agriculture

11. Economic Problems of Agriculture
Agricultural Surpluses

Agriculture can not make its adjustments in production to demand as rapidly and accurately as can industry. It is handicapped by weather conditions, by animal and plant pests, by limitations of soil and climate, by fixed periods of growth, by slow turnover, and by other more or less uncontrollable influences. A great deal has been done and can be done toward adjusting production to anticipated market requirements. Nevertheless, surpluses of agricultural commodities will be produced from time to time, no matter how prudently farm crops and livestock may be regulated in accordance with forecasts of supply and demand. Nature will give us bountiful yields in some years, even though acreage may have been cut down. In short, nature may upset the best-considered plans for establishing a harmonious balance between production and consumption.

What can be done toward handling unavoidable surpluses, which are so disastrous to a stabilized agriculture, when they occur unavoidably? This is one of the major economic problems of the Nation. It is well known that small surpluses exercise a depressing effect on prices altogether disproportionate to their amount. Measures to regulate the movement of surpluses into consumption so that unnecessary price fluctuations can be avoided and speculative hazards lessened are urgently needed.

It is to the interest of the entire community that agriculture should not be periodically depressed by overproduction and low prices.

THE HISTORY OF THE
CITY OF NEW YORK

FROM THE FIRST SETTLEMENT
TO THE PRESENT TIME

By JOHN ROSS, Esq. of the Middle Temple, Barrister at Law.
IN TWO VOLUMES.
THE FIRST VOLUME.
FROM THE FIRST SETTLEMENT
TO THE YEAR 1664.
THE SECOND VOLUME.
FROM THE YEAR 1664
TO THE PRESENT TIME.
LONDON: Printed by J. B. Smith, at the Sign of the Sun, in St. Paul's Church-Yard, 1743.

Business, indeed, has almost an equal interest with agriculture in preventing undue fluctuations in farm commodity prices. Whatever benefit low farm-commodity prices may temporarily seem to bestow on the consumer are eventually offset by a movement the other way. Stabilized production and marketing of agricultural products are clearly in the public interest.

Perhaps an analysis of the surplus problem will help us to decide what the nature and the principles underlying these measures should be. In the first place, we should clearly recognize what the surplus is. It may be a useful and necessary carry over from one producing season to another, part of which is involved in the process of manufacture and distribution and part of which is the national reserve against fluctuating seasonal production. It may be overproduction beyond the domestic and world demand. From a purely practical point of view there is the possibility of developing marketing methods, which will prevent the carry over from depressing prices to unfair levels.

In the field of production there is one important thing that Government agencies can do. They can furnish farmers with a background of economic information which will serve to guide intelligent programs of production. The Department of Agriculture is already undertaking to collect and disseminate accurate information on production, movement, prices, and consumption of farm products.

The department's work along these lines is being rounded out to a comprehensive service. It compiles and disseminates the data on intended plantings of both spring and fall crops. It makes careful pig surveys, indicating farrowings and the pig crops in expectation. It is beginning similar calf surveys and will shortly cover the whole livestock industry.

It issues timely statements on the outlook for production in each of the important lines. This is not an academic service. It is a real stabilizing force. The department has been forecasting the corn-hog situation accurately for a considerable period. Those swine producers who heeded its warnings in the spring of 1923 and its encouragement in the fall of 1924 have made money both ways by doing so. Those potato producers who heeded its advice not to reduce acreage too much last spring have profited thereby. Next summer will come the danger again of too great a potato acreage. The wheat situation would give promise of greater stability next year if there were more general adherence to the cautions clearly sounded in this fall's outlook. In stabilized production and in avoidance of wide swings lies the greatest assurance of profitable adjustment to the markets.

The Department of Agriculture is vigorously developing this service of supplying farmers with basic information by which orderly production may be guided. Through its Extension Service and in cooperation with State agricultural departments and colleges of agriculture it is perfecting and localizing the machinery of dissemination. In time this program will contribute measurably to reduce the fluctuations of unbalanced production.

In the field of distribution, public agencies should--as they already do--help the surplus problem at many points. In this field, again, the Government can provide essential background information as a guide to orderly marketing. The Department of Agriculture's forecasts and estimates of crop and livestock production are already the accepted data of trade. Its market news service covers the movements and prices of every important farm product.

A comprehensive system of standards of grades for farm products should be set up. The Department of Agriculture has made considerable

progress on this project. It has already secured establishment of standards and grades for a number of major crops. Its cotton standards are accepted in the world's markets. Such action reduces hazard in marketing and diminishes the margin between the farmer and the consumer.

Warehouses and terminal storage facilities should be made adequate and stored farm products given a credit status on a par with other commodities. The act permitting Federal licensing of warehouses illustrates what can be done. Cold storage and merchandising dependent thereon can be developed beyond present limits.

Many developments will be possible in the credit structure. The system of intermediate credit is a case in point. The intermediate-credit machinery, one of the greatest accomplishments for agriculture, still needs extension, however, to fit the needs of various perishable crops. Some phase of our credit machinery must be evolved that will permit much broader storage of nonperishable crops.

There are therefore manifestly two general avenues of approach to the surplus problem. One is through better management of production, and the other through marketing and distribution. In the latter field we have three major issues, the problems of storage of a given harvest pending consumption during the year or season, and the problem of storage for the carry-over. We have in all storage questions immediately the problem of credit. Beyond these two questions of storage and credit we have the third problem, and that is orderly control of the stream of supplies to the consumer. We can solve the first two of these issues by better provision of facilities, but we can only solve the third by collective action.

It should be stated, also, that the provision of storage and credit must be differentiated as to application in the different kinds of products.

In order to approach the problem from a practical standpoint it is essential to distinguish between the situations which arise in the three ~~great~~ groups of perishable products, nonperishable products, and livestock. This it will be noted is a purely arbitrary grouping.

While there is a great deal that can be done in adjustment of production in perishables such as fruits, vegetables, and dairy products, there also is the enlarged opportunity of restricting the flow of current products into the market by better standards and grades and by the diversion of the surplus, which then will be composed largely of inferior qualities, into by-products. All this implies organization, which already has made great headway in these commodities. There is also the possibility of broadening consumption of certain foods with benefit to all concerned.

Similarly in the case of nonperishables, like grain and cotton, something can be done in the field of better organized production and in the provision of enlarged storage and credit facilities.

As for the third general group--livestock--the major emphasis should be on the production end, although something can be done in the distribution field. It is frequently impossible to gauge the situation perhaps years in advance, and in such cases the distributive machinery may be made to function more effectively than at present. While better direction of production offers definite possibilities in both perishable and nonperishable groups, it offers the most effective solution in the livestock problem.

In the problem of control of the stream of products to the consumer we enter upon our most difficult field, a field which, as I have said, requires collective action. I believe farmers through their organizations have a most powerful instrument to control the movement of surpluses into

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consumptive channels. In my judgment the activities of Government agencies in connection with the surplus problem should supplement and assist rather than control and direct the efforts of the farmers themselves and their associations. To accomplish this may call for enabling legislation. It should be borne in mind, however, that any plan built around cooperative associations should be based upon the ability of the existing and potential cooperative associations to handle surplus crops. Otherwise their initiative and usefulness might be seriously impaired or destroyed.

It seems to me that there is plenty of room for action here without injuring the rights of the consumer by any development of trading practices in restraint of trade. Farm production is so extensive and varied, so dependent on nature, that restriction of it to the point at which the consumer's interests would be menaced is a remote possibility.

A measure of the progress already achieved in this direction is the fact, mentioned elsewhere in this report, that nearly one-fifth of our agricultural business, or \$2,500,000,000 worth, was done this year through farmers' business organizations.

Even if direct Government interference in the channels of trade were to be tolerated by the consuming public, it would, in my judgment, lead to heavier production and ultimately an aggravation of the whole problem. Government buying and selling, if successful, would smother the cooperative movement because it would eliminate the incentive for collective action. It does seem essential, however, that this issue should receive broad recognition as a problem of national importance and, second, that public agencies should make every proper effort to cooperate in sound workable programs looking to its solution. The discussion of the problem of surpluses is entering more and more upon common ground, and I look forward to an agreement upon the principles of a solution along the broad lines here suggested.

